

MID-TN SUPPORTED LIVING, INC.

**FINANCIAL STATEMENTS
AND OTHER INFORMATION**

JUNE 30, 2018 AND 2017

MID-TN SUPPORTED LIVING, INC.

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Independent Auditor's Report

To the Board of Directors of
Mid-TN Supported Living, Inc.
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Mid-TN Supported Living, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



To the Board of Directors of
Mid-TN Supported Living, Inc.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mid-TN Supported Living, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, on our consideration of Mid-TN Supported Living, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mid-TN Supported Living, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mid-TN Supported Living, Inc.'s internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
December 14, 2018

MID-TN SUPPORTED LIVING, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2018	2017
CURRENT ASSETS		
Cash	\$ 44,534	\$ 15,407
Accounts receivable - State of Tennessee	304,829	277,107
Accounts receivable - other	7,266	9,237
Other assets	3,352	-
Total current assets	359,981	301,751
FURNITURE AND EQUIPMENT		
Furniture and equipment	42,038	42,038
Less accumulated depreciation	(42,038)	(42,038)
Total furniture and equipment	-	-
Total assets	\$ 359,981	\$ 301,751

LIABILITIES AND NET DEFICIT

CURRENT LIABILITIES		
Accounts payable	\$ 327	\$ 327
Accrued expenses	172,298	143,523
Revolving line-of-credit	78,486	93,964
Notes payable - current portion	61,900	63,750
Total current liabilities	313,011	301,564
LONG-TERM LIABILITIES		
Notes payable - noncurrent portion	83,800	112,367
Total liabilities	396,811	413,931
NET DEFICIT		
Unrestricted	(36,830)	(112,180)
Total net deficit	(36,830)	(112,180)
Total liabilities and net deficit	\$ 359,981	\$ 301,751

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
STATEMENTS OF ACTIVITIES

	Year Ended June 30,	
	2018	2017
Changes in unrestricted net assets:		
Support and revenue:		
State of Tennessee and other contract revenue	\$ 3,177,470	\$ 3,261,623
Contributions	151,140	80,196
Interest	9	7
Other	<u>-</u>	<u>(165)</u>
Total support and revenue	<u>3,328,619</u>	<u>3,341,661</u>
Expenses:		
Program Services:		
Support and client assistance	2,800,310	2,930,646
Management and general	<u>452,959</u>	<u>462,055</u>
Total expenses	<u>3,253,269</u>	<u>3,392,701</u>
Increase (decrease) in unrestricted net assets	75,350	(51,040)
Net deficit at beginning of year	<u>(112,180)</u>	<u>(61,140)</u>
Net deficit at end of year	<u>\$ (36,830)</u>	<u>\$ (112,180)</u>

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018		
	<u>Support and Client Assistance</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$2,163,892	\$209,505	\$2,373,397
Employee benefits	174,053	16,777	190,830
Payroll taxes	163,498	15,759	179,257
Bank charges	-	36,179	36,179
Professional services	-	7,891	7,891
Supplies	-	7,501	7,501
Communications	26,710	10,205	36,915
Postage and delivery	-	616	616
Rent	135,011	40,384	175,395
Travel / vehicle expense	70,648	46,389	117,037
Training	11,081	-	11,081
Equipment lease	-	6,867	6,867
Equipment repairs and maintenance	-	24,746	24,746
Advertising	-	4,484	4,484
Licenses and permits	-	4,793	4,793
Utilities	25,489	-	25,489
Background checks	1,617	-	1,617
Miscellaneous	28,311	19,040	47,351
Interest	-	1,823	1,823
	<u>\$2,800,310</u>	<u>\$452,959</u>	<u>\$3,253,269</u>

2017		
<u>Support and Client Assistance</u>	<u>Management and General</u>	<u>Total</u>
\$2,258,876	\$197,414	\$2,456,290
224,885	19,654	244,539
170,229	14,877	185,106
-	22,040	22,040
-	11,033	11,033
-	4,136	4,136
21,113	10,575	31,688
-	608	608
130,875	39,255	170,130
66,148	48,399	114,547
18,061	-	18,061
-	6,780	6,780
-	29,995	29,995
-	4,884	4,884
-	4,231	4,231
25,533	-	25,533
2,314	-	2,314
12,612	42,564	55,176
<u>-</u>	<u>5,610</u>	<u>5,610</u>
<u>\$2,930,646</u>	<u>\$462,055</u>	<u>\$3,392,701</u>

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 75,350	\$(51,040)
Adjustments to reconcile increase (decrease) in net cash provided by (used in) operating activities:		
Increase in accounts receivable - State of Tennessee	(27,722)	(34,072)
Decrease in accounts receivable - other	1,971	8,933
(Increase) decrease in other assets	(3,352)	3,089
Increase in accrued expenses	28,775	4,249
Decrease in accounts payable	<u> -</u>	<u>(12,260)</u>
Total adjustments	<u>(328)</u>	<u>(30,061)</u>
Net cash provided by (used in) operating activities	<u>75,022</u>	<u>(81,101)</u>
Cash flows from financing activities:		
Net payments on revolving line-of-credit	(15,478)	(6,036)
Net (payments) borrowings on notes payable	<u>(30,417)</u>	<u>98,817</u>
Net cash (used in) provided by financing activities	<u>(45,895)</u>	<u>92,781</u>
Increase in cash	29,127	11,680
Cash at beginning of year	<u>15,407</u>	<u>3,727</u>
Cash at end of year	<u>\$ 44,534</u>	<u>\$ 15,407</u>

See accompanying notes to financial statements.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follow:

Nature of Organization

Mid-TN Supported Living, Inc., “Mid-TN,” is a nonprofit corporation chartered by the State of Tennessee for the purpose of assisting people with intellectual, developmental and other disabilities to live in the community in such a way that there is an acceptable balance between their opportunities to experience a lifestyle meaningful to themselves and the risks that occur with ordinary living. Mid-TN provides services to persons with intellectual, developmental and other disabilities in the areas of supported living, specialized equipment and supplies, personal assistance, transportation, and adoption to everyday living.

Basis of Accounting

The financial statements of Mid-TN have been prepared on the accrual basis of accounting.

Basis of Presentation

Mid-TN classifies its revenue and expenses into three classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets of Mid-TN and changes therein are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of Mid-TN and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that are required to be maintained permanently by Mid-TN. Generally, the donors of these assets permit Mid-TN to use all or part of the income earned on related investments for general or specific purposes.

Mid-TN did not have assets that meet the definition of temporarily or permanently restricted net assets at June 30, 2018 or 2017.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue and Support

Mid-TN receives the majority of its income from contract services paid by the State of Tennessee, Division of Intellectual Disabilities Services. Mid-TN records income due from the State in the period that the applicable services were incurred by Mid-TN.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Unconditional promises to give in the future are recognized as temporarily restricted assets and as revenues and support in the period promised.

Furniture and Equipment

Furniture and equipment are carried at cost. Donated furniture and equipment has not been recorded, as Mid-TN has no reasonable basis for valuation. This donated property was being discarded by other agencies and no value was assigned for their contribution. Depreciation on purchased property is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years.

Financial Instruments

Mid-TN's financial instruments consist of accounts receivable, accounts payable, accrued expenses, notes payable and a revolving line-of-credit. The recorded values of accounts receivable, accounts payable, accrued expenses and the notes payable approximate their fair values based on their short-term nature. The carrying value of the revolving line-of-credit approximates its fair value based on its variable rate.

Donated Services

Unpaid volunteers make contributions of time in various administrative, fund-raising and program functions. The value of contributed time is not reflected in the financial statements, as it is not susceptible to an objective measurement or valuation.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates in the Preparation of Financial Statements

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

Mid-TN is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes has been made in the accompanying financial statements. Mid-TN is not classified as a private foundation.

Mid-TN accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for Mid-TN include, but are not limited to, the tax exempt status and determination of whether income is subject to unrelated business income tax; however, Mid-TN has determined that such tax positions do not result in an uncertainty requiring recognition.

Retirement Plan

Mid-TN, maintains a 403(b) retirement plan for employees who are eligible for the plan after one year of employment. Mid-TN did not contribute to the plan for the years ended June 30, 2018 and 2017.

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

B. DUE FROM THE STATE OF TENNESSEE

Mid-TN is due monies from the State of Tennessee Department of Finance and Administration, Division of Intellectual Disability Services for contract services performed during the year. These receivables total \$304,829 and \$277,107 as of June 30, 2018 and 2017, respectively.

C. REVENUE/CONTINGENCIES

Certain costs charged to a funded program may not be in compliance with requirements as set forth in contracts, statutes, and regulations governing allowability or eligibility. These costs may not be reimbursed by the State or the State agency may require that the funds already expended be refunded back to the State. The determination as to whether such costs will be allowed or disallowed under the various grants or contracts will be made by the individual grantor agencies subsequent to June 30, 2018. No liability has been recorded as of June 30, 2018 or 2017, for these costs as no determination has been made by the grantor agencies as to any amount for any grant or contract.

D. OPERATING LEASE

Mid-TN leases its office space under a lease that requires a monthly payment of \$3,220. This lease was amended in November 2016 to extend the term of the lease through October 31, 2019. Annual lease payments for office space and equipment leases totaled \$50,603 and \$46,035 for the years ended June 30, 2018 and 2017, respectively. Future minimum lease payments with terms exceeding one year are as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Amount</u>
2019	\$41,282
2020	<u>13,937</u>
Total	<u>\$55,219</u>

MID-TN SUPPORTED LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

E. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject Mid-TN to concentration of credit risk consist of monies due from the State of Tennessee, Division of Intellectual Disabilities Services and accounts receivables. Account receivables consist of monies due from clients for reimbursement of living expenses paid by Mid-TN. These receivables are widely dispersed over many persons and mitigate credit risk. Monies due from the State of Tennessee represent concentration of credit risk to the extent that they are received from concentrated sources. Mid-TN receives a substantial amount of its support from the State of Tennessee, in excess of 95% and 98% for 2018 and 2017, respectively. A significant reduction in the levels of this support, if this were to occur, could have an effect on Mid-TN's programs and activities. Based on the upcoming fiscal year's budget, the funding is expected to continue for the near future.

F. NOTE PAYABLE

On February 20, 2016, Mid-TN borrowed \$80,000 from a member of the board under an unsecured note payable at an annual rate of 1%. During the year ended June 30, 2017, Mid-TN borrowed an additional \$8,000. The outstanding balance on this note as of June 30, 2018 and 2017, was \$85,700. Principal payments of \$28,567 are due on March 31, 2019, 2020, and 2021.

On December 1, 2016, Mid-TN borrowed \$40,000 from a member of the board under an unsecured note payable at an annual rate of 0%. The outstanding balance on this note as of June 30, 2018, was \$40,000. Payments are due on the note beginning in January 2019 and continue through January 2022.

On December 18, 2017, Mid-TN borrowed \$40,000 from an online alternative lender under an unsecured note payable at an annual rate of 18%. The outstanding balance on this note as of June 30, 2018 was \$20,000. Principal payments of \$3,333 plus interest are due monthly until maturity in January 2019.

G. REVOLVING LINE-OF-CREDIT

The revolving line-of-credit at June 30, 2018 and 2017, represented borrowings under an agreement with a bank. The line-of-credit allows for a maximum principal borrowing of up to \$100,000 with interest due monthly at the prime rate plus 2.50% (7.00% at June 30, 2018). The outstanding balance on the line-of-credit as of June 30, 2018 and 2017, totaled \$78,486 and \$93,964, respectively. The line-of-credit has an open maturity date at the discretion of the lender and is collateralized by all of Mid-TN's assets.

H. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 2018, the date the financial statements were available for issuance, and has no items requiring disclosure.

OTHER INFORMATION



Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Board of Directors of
Mid-TN Supported Living, Inc.
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mid-TN Supported Living, Inc., "Mid-TN," (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mid-TN's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mid-TN's internal control. Accordingly, we do not express an opinion on the effectiveness of Mid-TN's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



To the Board of Directors of
Mid-TN Supported Living, Inc.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mid-TN's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mid-TN's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mid-TN's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crosslin, PLLC

Nashville, Tennessee
December 14, 2018

MID-TN SUPPORTED LIVING, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018 AND 2017

There were no prior findings reported.